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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case No.
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: 08-13555 (JMP)
Debtors.	: (Jointly Administered)
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**NOTICE OF TWELFTH SUPPLEMENTAL DECLARATION  
OF ALVAREZ & MARSAL NORTH AMERICA, LLC IN  
CONNECTION WITH ITS EMPLOYMENT AND RETENTION**

**PLEASE TAKE NOTICE** that, on March 21, 2011, Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the above-referenced chapter 11 cases, as debtors and debtors in possession (together, the "Debtors") filed the attached Twelfth Supplemental Declaration of Alvarez & Marsal North America, LLC in compliance with the Order Approving Application Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code for Authorization to

Employ and Retain Alvarez & Marsal North America, LLC.

Dated: March 21, 2011  
New York, New York

/s/ Richard P. Krasnow  
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**Chapter 11 Case No.**  
**08-13555 (JMP)**  
**(Jointly Administered)**

**TWELFTH SUPPLEMENTAL DECLARATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC IN CONNECTION WITH ITS EMPLOYMENT AND RETENTION**

John Suckow makes this declaration under 28 U.S.C. § 1746, and states:

1. I am a Managing Director with Alvarez & Marsal North America, LLC (together with its wholly owned subsidiaries, affiliates (which are owned by Alvarez & Marsal North America, LLC's parent company, Alvarez & Marsal Holdings, LLC ("A&M Holdings") and employees), agents, independent contractors, and employees, "A&M"), a restructuring advisory services firm with numerous offices throughout the world. Unless otherwise stated herein, I have personal knowledge of the facts set forth herein or have been informed of such matters by professionals of A&M. To the extent any information disclosed herein requires amendment or modification upon A&M's completion of further review or as additional party in interest information becomes available to it, a further supplemental declaration reflecting such amended or modified information will be submitted to the Court.

2. A&M has previously submitted declarations dated October 8, 2008 [Docket No. 760]; November 4, 2008 [Docket No. 1366]; November 17, 2008 [Docket No. 1559]; February 6, 2009 [Docket No. 2754]; May 19, 2009 [Docket No. 3606]; September 16, 2009 [Docket No. 5196]; November 4, 2009 [Docket No. 5706]; November 25, 2009 [Docket No. 5947]; February 19, 2010 [Docket No. 7173]; June 18, 2010 [Docket No. 9671]; September 8, 2010 [Docket No.

11210]; and November 19, 2010 [Docket No. 12945 (collectively the “Declarations”) in support of the October 8, 2008 application (the “Application”) of Lehman Brothers Holdings Inc. (“LBHI”) and its affiliated debtors in the above referenced chapter 11 cases, as debtors in possession (together the “Debtors” and collectively with their non-debtor affiliates “Lehman”), pursuant to sections 105(a) and 363(b) of chapter 11 of the United States Code (the “Bankruptcy Code”) for Authorization to Employ and Retain Alvarez & Marsal North America, LLC to Provide the Debtors With a Chief Restructuring Officer and Additional Personnel, and to Appoint the Chief Restructuring Officer *Nunc Pro Tunc* to September 15, 2008. [Docket No. 760].

3. On December 17, 2008, the United States Bankruptcy Court for the Southern District of New York entered an order approving the Application and the Debtors’ employment and retention of A&M. [Docket No. 2278].

4. I am submitting this Twelfth Supplemental Declaration to publicly disclose certain additional information that has become available to A&M since the filing of the Declarations.

#### **Additional Parties In Interest**

5. As set forth in the Declarations, and in connection with its proposed retention by the Debtors in these cases, A&M has undertaken an ongoing analysis to determine whether it has any conflicts or other relationships that might cause it not to be disinterested or to hold or represent interests adverse to the Debtors.

6. Specifically, A&M periodically receives from the Debtors, and/or their representatives, updated lists of additional individuals and entities that may be parties-in-interest in these chapter 11 cases that were not previously provided to A&M (the “Potential Interested Parties”). A&M then provides this list to all of its employees worldwide and conducts a query of

such Potential Interested Parties in a database containing the names of individuals and entities that are represented by A&M.

7. A&M received an updated list from the Debtors which, in addition to those parties reviewed for the prior Declarations, included additional Potential Interested Parties under the following categories identified by the Debtors: (1) "Potential Parties in Interest," (2) "Principal Investments," and (3) Selected Claimants.

8. The results of A&M's latest inquiry are listed below (in addition to relationships disclosed in prior Declarations).

**A&M's Connections with Potential interested Parties**

a. A&M is currently providing or has previously provided certain consulting services to the following Potential Interested Parties or their affiliates in matters unrelated to the Debtors' chapter 11 cases:

- Banco Urquijo SBP, S.A.
- BB&T Investments
- Caisse D'Epargne de Prevoyance de Midi-Pyrenees
- Carval Investors UK Limited
- Celtic Pacific (UK) Two Limited
- Classic Cruises Holdings S.a.r.l
- CNP Assurances
- Fairfax Financial Holdings Limited
- Hayman Advisors
- Investec Bank (Switzerland) AG
- Nisource Finance Corp.
- Oceana Cruises, Inc.
- Ontario Teacher's Pension Plan Board
- Prestige Cruise Holdings Inc.
- Radisson Seven Seas France
- Supplystill Limited

b. A&M currently advises or has previously advised the following Potential Interested Parties or their affiliates as creditors or advises or has previously advised official and unofficial creditors' committees in which these Potential Interested Parties or their affiliates were members or which represented the

interests of these Potential Interested Parties or their affiliates, in each such case,  
in matters unrelated to the Debtors' chapter 11 cases:

- BHF-Bank Aktiengesellschaft
- Consec Life Insurance Company
- MassMutual Asia Limited
- National Bank of Canada
- Nomura Securities Co.
- State Bank of India
- Varde Investment Partners
- Westernbank Puerto Rico

- c. The following Potential Interested Parties or their affiliates (or their fund managers or certain other funds managed by their fund managers) are significant equity holders of other clients or former clients of A&M:

- Aozora Bank Ltd.
- Federal Deposit Insurance Corporation
- Investec Bank (Switzerland) AG
- MassMutual Asia Limited
- Nomura Securities Co.
- Ontario Teacher's Pension Plan Board
- Peabody Energy Corporation
- Pohjola Bank Plc
- Soros Fund Management
- Varde Investment Partners

- d. With respect to the following private equity, hedge fund or other investment fund or fund management entities which, along with certain other funds and managers within their investment group, have been identified as Potential Interested Parties, (i) A&M currently provides or has previously provided certain consulting services to such funds, fund managers or other related entities or affiliates within such investment group (the "Fund Related Parties") in matters or transactions unrelated to the Debtors' chapter 11 cases, (ii) such Potential Interested Parties or one or more of their Fund Related Parties are significant equity holders of other clients of A&M or its affiliates and/or (iii) A&M currently advises or has previously

advised such Potential Interested Parties or one or more of their Fund Related Parties as creditors or advises or has previously advised official and unofficial creditors' committees in which such Potential Interested Parties and/or Fund Related Parties were members or which represented the interests of these Potential Interested Parties and/or Fund Related Parties in matters unrelated to the Debtors' chapter 11 cases:

- Arlington Partners, L.P.
- Black River Global Equity Fund Ltd.
- Blue Heron Micro Opportunities Fund
- Canyon Capital Arbitrage Master Fund, Ltd.
- Deerfield Capital LLC
- Farallon Capital Partners, L.P.
- Gulfstream Asset Management
- Halbis UsSCredit Alpha Master Fund, Ltd.
- Highland Credit Strategies Fund
- OZ Special Master Fund
- Sankaty Credit Opportunities II LP
- Silver Point Capital Offshore Master Fund
- Symphony Asset Management
- TCW Absolute Return Credit Fund
- Tricadia Distressed & Special Situations
- Tudor BVI Global Portfolio

- e. The following Potential Interested Parties or their affiliates (or their fund managers or certain other funds managed by their fund managers) are significant joint venture partners of other clients or former clients of A&M:

- Health First, Inc.
- Nexen Energy Marketing London Limited

- f. The following professionals have represented clients in matters where A&M was also advisor, or provided crisis management, to the same clients:

- Arent Fox LLP
- Lowenstein Sandler

- Freshfields Bruckhaus Deringer<sup>1</sup>

g. The following Potential Interested Parties are believed to be the same persons that are Board Members of other clients or former clients of A&M:

- Alan Semple
- Richard Witten

### **Other Relationships**

9. A&M also becomes aware, from time to time, of relationships it has with parties-in-interest to the Debtors' cases that are not on the list of Potential Interested Parties provided by the Debtors ("Additional Parties-In-Interest"). In addition to the matters disclosed in prior Declarations, since the filing of the last declaration it has come to our attention that

- a. A&M provides services to an affiliate of Lyon Capital Ventures ("Lyon Capital") in matters wholly unrelated to the Debtors' chapter 11 cases. The Debtors and their affiliates hold investments in certain debt instruments relating to approximately 14 multifamily property real estate projects (the "Lyon Projects") with respect to which Lyon Capital and/or an affiliate holds the related equity interest. A&M's services for such affiliate are not related to Lyon Capital or the Projects.
- b. A&M is engaged to provide expert-testimony services for Red Mountain Machinery Company ("Red Mountain") as a debtor in a Chapter 11 proceeding in the United States Bankruptcy Court for the District of Arizona (the "Red Mountain Case"). Red Mountain has identified LBHI and a non-debtor affiliate

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<sup>1</sup> These professionals represent (or have in the past represented) A&M and/or an affiliate on wholly unrelated matters.



of the Debtors, “Aurora Bank Commercial Services” (“Aurora”),<sup>2</sup> as potential parties in interest in the Red Mountain Case. The only relationship that A&M has been made aware of between the Debtors or their affiliates and Red Mountain is that Red Mountain is a guarantor on certain mortgaged-backed notes serviced by Aurora and with respect to which the Debtors and/or their affiliates may hold a beneficial interest (the “Lehman MBS”). A&M’s testimony in the Red Mountain Case is unrelated to the Lehman MBS.

- c. A&M provides services to Kansas City Power & Light (“KPCL”) and Trinity Medical Center of Birmingham (“Trinity”). Both Trinity and KPCL (the “Other Clients”) have financial contracts with certain Debtors which have been terminated requiring a payment by one party to the other as of such termination. A&M’s services for the Other Clients are wholly unrelated to any matters between the Other Clients and the Debtors.
- d. A&M provides services to ITV Services Limited and certain of its affiliates (“ITV”). ITV is the parent company to Carlton Communications Ltd. (“Carlton”). Lehman Brothers Special Financing Inc. has initiated litigation against Carlton in connection with certain interest-rate swap agreements (the “Carlton Litigation”). A&M’s services for ITV are wholly-unrelated to the Carlton Litigation.

**Alvarez & Marsal Capital Real Estate**

10. Alvarez & Marsal, Inc. (“A&M Inc.”) holds a controlling interest in both Alvarez & Marsal Capital Real Estate, LLC (“A&M CapRE”) and A&M Holdings. Each of A&M CapRE and A&M Holdings are separate companies pursuing different business opportunities and there is

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<sup>2</sup> A&M believes that this may be a reference to Aurora Loan Services, LLC, an indirect, non-debtor subsidiary of LBHI.

no overlap except for management at the board level and certain back office administrative/support services. A&M CapRE is headquartered in El Segundo, California, and has approximately 14 employees. A&M Holdings is headquartered in New York and it, combined with its subsidiaries ("A&M Advisors"), has over 1,600 employees worldwide. A&M Advisors provides consulting and interim management services to a wide range of clients, including the Debtors. A&M CapRE's primary business strategies include acting as a principal investor and asset manager of real estate assets.

11. It is possible that certain limited or joint venture partners with A&M CapRE in its investments will also be creditors of the Debtors. In particular, a subsidiary controlled by A&M CapRE entered into a joint venture agreement (the "JV") with affiliates of Angelo, Gordon & Co., L.P. ("AG"). The JV is controlled by affiliates of AG. The JV recently acquired an asset pursuant to a purchase agreement between the JV (as buyer) and Citigroup North America, Inc. ("Citi N.A.") (as seller). A&M believes that: (i) AG and/or its affiliates are significant creditors of Lehman Brothers Treasury Co. BV, a non-debtor affiliate of LBHI that is one of the Debtors' largest creditors; (ii) Citi and/or its affiliates ("Citi") have filed significant claims against the Debtors; and (iii) Citi is the Debtors' primary bank depository.

12. In order to address any potential appearance of a conflict of interest, no A&M personnel providing services to the Debtors will be involved with the management of A&M CapRE or its investments. In addition, personnel providing services to the Debtors will be prohibited from discussing any Debtor-related matters with A&M CapRE personnel involved with the management of A&M CapRE or its investments.

13. A&M does not believe that any of the additional disclosures described above create conflicts of interest regarding the Debtors or their chapter 11 cases. A&M continues to believe

that it is “disinterested” within the meaning of the term as it is used in section 101(14) of title 11 of the United States Code.

I declare under penalty of perjury that, to the best of my knowledge, and after reasonable inquiry, the foregoing is true and correct.

Dated: March 21, 2011  
New York, New York

/s/ John Suckow  
John Suckow, Managing Director